

**CRYSTAL TOWNSHIP
OCEANA COUNTY, MICHIGAN**

FINANCIAL STATEMENTS

MARCH 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Crystal Township	County Oceana
Fiscal Year End 3-31-06	Opinion Date 10-23-06	Date Audit Report Submitted to State 11/21/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).



Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☒ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☒ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Hendon & Slate PC		Telephone Number 231-924-6890	
Street Address PO Box 9		City Fremont	State MI
Zip 49412			
Authorizing CPA Signature 	Printed Name Jodi DeKuiper	License Number 1101021180	

TABLE OF CONTENTS

	<u>Page</u>
List of Principal Individuals	iii
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 5
BASIC FINANCIAL STATEMENTS	
Government Wide Statement of Net Assets	6
Government Wide Statement of Activities	7
Governmental Fund Balance Sheet	8
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	9
Governmental Fund Statements of Revenues, Expenditures, and Changes in Fund Balance	10
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	11
Statement of Net Assets - Fiduciary Fund	12
Notes to the Financial Statements	13 - 19
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparisons for Major Funds:	
General Fund	20
Fire Fund	21
Road Fund	22

Table of Contents (continued)

SUPPLEMENTAL INFORMATION:

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	23-25
--	-------

CRYSTAL TOWNSHIP

Board Members

	<u>Position</u>
Connelly Bowling	Supervisor
Pat Amstutz	Clerk
Gaye Sorensen	Treasurer
Terry Cloud	Trustee
Tim Scovill	Trustee

Companies



Hendon & Slate, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS



Township Board
Crystal Township
Oceana County
Hart, Michigan

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Crystal Township as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Townships' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free from material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Crystal Township, Michigan as of March 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 5 and pages 20 and 21, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Grand Rapids
2025 East Beltline SE
Suite 208
Grand Rapids, MI 49546
Phone (616) 954-3995
Fax (616) 954-3990

Muskegon
4985 South Harvey Street
Muskegon, MI 49444
Phone (231) 798-1040
Fax (231) 798-8409

Fremont
711 West Main Street
Fremont, MI 49412
Phone (231) 924-6890
Fax (231) 924-4088
Toll Free (800) 924-6891

Whitehall
116 West Colby, Suite B
Century Building
Whitehall, MI 49461
Phone (231) 893-6772
Fax (231) 893-6773

Hart
1550 North Industrial Park Drive
Hart, MI 49420
Phone (231) 873-5611
Fax (231) 873-7033

www.hscompanies.com

As discussed in Note A, the Township adopted Governmental Accounting Standards Board Statement Number 34 during the current year. As a result, these financial statements present entirely new financial information. Governmental activities report information by individually significant fund, as well as in total on the full accrual basis of accounting.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Crystal Township, Michigan's basic financial statements. The introductory section, combining and individual non major fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Hendon & Slate, P.C.

Hendon & Slate, P.C.

Certified Public Accountants

October 23, 2006

CRYSTAL TOWNSHIP

Management's Discussion and Analysis (MD&A) For the Year Ended March 31, 2006

Using this Annual Report

This annual report consists of a series of financial statements. The Governmental Wide Statement of Net Assets and the Government Wide Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's unrestricted net assets (the part of net assets that can be used to finance day-to-day operating) increased 14% from March 31, 2005 - from \$156,530 to \$178,555. In a condensed format, the table below shows key financial information (in future years, when prior year information is available, a comparative analysis of data will be presented):

	Governmental Activities
Current Assets	\$ 181,829
Noncurrent Assets	186,452
Total Assets	<u>\$ 368,281</u>
Current Liabilities	<u>\$ 3,274</u>
Total Liabilities	<u>\$ 3,274</u>
Net Assets	
Invested in Capital Assets-Net of Debt	\$ 186,452
Unrestricted	<u>178,555</u>
Total Net Assets	<u>\$ 365,007</u>
Program Revenues	
Charges for Services	\$ 1,805
Capital Grants and Contribution	
Federal Grants	44,250
State Grants	9,000
General Revenues	
Property Taxes	62,339
State Shared Revenues	60,731
Investment Earnings	1,983
Miscellaneous	<u>3,343</u>
Total Revenues	\$ 183,451

Management's Discussion and Analysis (Continued)

Program Expenses	
General Government	61,417
Public Safety	26,479
Public Works	15,872
Recreation and Culture	1,248
Community/Economic Dev.	1,965
Unallocated Depreciation	3,475
	<hr/>
Total Expenses	110,456
	<hr/>
Change in Net Assets	\$ 72,995
	<hr/>

Governmental Activities

The Township's total governmental revenues increased 38% or just over \$50,000 from March 31, 2005. This increase is due to capital grants from both the federal and state government. Most other revenues remained similar to previous levels.

Expenses increased about \$53,000 from the prior year. This increase of 49% was due to capital outlay purchased with the aforementioned grants \$9,000 was spent on two voting booths and \$44,250 of grant money was used to purchase fire equipment.

Business-Type Activities

The Township had no business type activities.

The Township's Fund

Our analysis of the Township's major funds follows the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. All three of the Township's funds, (General, Fire, and Road) are considered major funds.

General Fund Budgetary Highlights

Over the course of the year, the Township Board made amendments to the budget to take into account events during the year. However, the Board still had a few over expenditures as reported in the notes to the financial statements.

Capital Asset and Debt Administration

At March 31, 2006, the Township had \$186,452 invested in a broad range of capital assets including land improvements, buildings, and equipment. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statements because of Michigan law, which makes these roads property of the Oceana County Road Commission (along with the responsibility to maintain them).

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

The Township's budget for March 31, 2007 calls for an increase in revenues due to additional monies from a federal grant. General Fund expenditures were budgeted for a 4.7% increase from the previous budget, which is due to the increase in the election budget line item.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

CRYSTAL TOWNSHIP

Government Wide Statement of Net Assets March 31, 2006

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 152,221
Taxes Receivable	10,639
Accounts Receivable	9,721
Accounts Receivable - Fiduciary Funds	9,248
Property and Equipment	248,763
Accumulated Depreciation	<u>(62,311)</u>
 Total Assets	 368,281
 LIABILITIES & NET ASSETS	
Liabilities	
Accounts Payable	3,274
Due to Other Units	<u>-</u>
 Total Liabilities	 3,274
 Net Assets	
Invested in Capital Assets	
Net of Related Debt	186,452
Unrestricted	<u>178,555</u>
 Total Net Assets	 <u><u>\$ 365,007</u></u>

The Notes to the Financial Statements are an integral part of this statement

CRYSTAL TOWNSHIP

Government Wide Statement of Activities For the Year Ended March 31, 2006

	Expenses	Program Revenues Charges for Services	Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Assets Governmental Activities
Primary Government				
General Government	\$ 61,417	\$ 1,805	\$ 9,000	\$ (50,612)
Public Safety	26,479	-	44,250	17,771
Public Works	15,872	-	-	(15,872)
Recreation and Culture	1,248	-	-	(1,248)
Community & Economic Dev.	1,965	-	-	(1,965)
Unallocated Depreciation	3,475	-	-	(3,475)
Total Primary Government	<u>\$ 110,456</u>	<u>\$ 1,805</u>	<u>\$ 53,250</u>	<u>(55,401)</u>
General Revenues				
Property Taxes - Levied for General Purpose				62,339
State Shared Revenue				60,731
Metro Act				-
Interest Income				1,983
Miscellaneous				<u>3,343</u>
Total General Revenues				<u>128,396</u>
Change in Net Assets				72,995
Net Assets - April 1, 2005				<u>292,012</u>
Net Assets - March 31, 2006				<u>\$ 365,007</u>

The Notes to the Financial Statements are an integral part of this statement

CRYSTAL TOWNSHIP

Governmental Fund Balance Sheet March 31, 2006

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Road Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Investments	\$ 95,017	\$ 9,519	\$ 47,686	\$ 152,222
Taxes Receivable	3,546	2,436	4,657	10,639
Accounts Receivable	9,721	-	-	9,721
Due from Other Funds	<u>3,236</u>	<u>2,065</u>	<u>19,760</u>	<u>25,061</u>
Total Assets	<u>\$ 111,520</u>	<u>\$ 14,020</u>	<u>\$ 72,103</u>	<u>\$ 197,643</u>
LIABILITIES				
Accounts Payable	\$ 1,161	\$ 2,114	\$ -	\$ 3,275
Due to Other Funds	<u>12,490</u>	<u>3,323</u>	<u>-</u>	<u>15,813</u>
Total Liabilities	13,651	5,437	-	19,088
FUND BALANCES				
Unrestricted	<u>97,869</u>	<u>8,583</u>	<u>72,103</u>	<u>178,555</u>
Total Fund Balance	<u>97,869</u>	<u>8,583</u>	<u>72,103</u>	<u>178,555</u>
Total Liabilities and Fund Equity	<u>\$ 111,520</u>	<u>\$ 14,020</u>	<u>\$ 72,103</u>	<u>\$ 197,643</u>

The Notes to the Financial Statements are an integral part of this statement

CRYSTAL TOWNSHIP

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets For the Year Ended March 31, 2006

Total Governmental Fund Balances	\$ 178,555
----------------------------------	------------

Total net assets reported for governmental activities in the statement of net assets are different from the amount reported as total governmental funds fund balance because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net assets:

Governmental Capital Asset	\$ 248,763	
Governmental Accumulated Depreciation	<u>(62,311)</u>	<u>186,452</u>
Total Net Assets - Governmental Activities:		<u>\$ 365,007</u>

CRYSTAL TOWNSHIP

Governmental Fund Statements of Revenue, Expenditures, and Changes in Fund Balance For the Year Ended March 31, 2006

	General Fund	Fire Fund	Road Fund	Total Governmental Funds
Revenues				
Property Taxes	\$ 21,519	\$ 14,020	\$ 26,798	\$ 62,337
State Shared Revenue	60,731	-	-	60,731
State Grants	9,000	-	-	9,000
Federal Grants	-	44,250	-	44,250
Refunds and Reimbursements	1,515	-	-	1,515
Interest	1,983	-	-	1,983
Cemetery Lot Sales	1,805	-	-	1,805
Other	1,159	669	-	1,828
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	97,712	58,939	26,798	183,449
Expenditures				
General Government	53,514	-	-	53,514
Public Safety	-	18,244	-	18,244
Public Works	10,083	-	5,789	15,872
Community/Economic Development	1,965	-	-	1,965
Recreation and Culture	1,248	-	-	1,248
Capital Outlay	15,909	46,770	-	62,679
Unallocated	7,902	-	-	7,902
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	90,621	65,014	5,789	161,424
Excess Revenue Over (Under) Expenditures	7,091	(6,075)	21,009	22,025
Fund Balance - April 1, 2005	<hr/>	<hr/>	<hr/>	<hr/>
	90,778	14,658	51,094	156,530
Fund Balance - March 31, 2006	<u>\$ 97,869</u>	<u>\$ 8,583</u>	<u>\$ 72,103</u>	<u>\$ 178,555</u>

The Notes to the Financial Statements are an integral part of this statement

CRYSTAL TOWNSHIP

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended March 31, 2006

Net Change in Fund Balances - Total Governmental Funds	\$	22,025
--	----	--------

Amounts reported for governmental activities in the statement of activities are different because:

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense

Capital outlay reported in governmental fund statements	62,679	
Depreciation expense reported in the statement of activities	<u>(11,709)</u>	<u>50,970</u>

Changes in Net Assets - Governmental Activities	\$	<u>72,995</u>
---	----	---------------

CRYSTAL TOWNSHIP

Statement of Net Assets - Fiduciary Fund March 31, 2006

	<u>Trust and Agency Fund</u>
ASSETS	
Cash and Investments	<u>\$ 34,895</u>
Total Assets	<u><u>\$ 34,895</u></u>
 LIABILITIES AND NET ASSETS	
Liabilities	
Due to Other Funds	\$ 9,248
Due to Other Governmental Units	<u>25,647</u>
Total Liabilities	34,895
 Net Assets	
Unreserved	<u>-</u>
 Total Liabilities and Net Assets	<u><u>\$ 34,895</u></u>

The Notes to the Financial Statements are an integral part of this statement

CRYSTAL TOWNSHIP

Notes to the Financial Statements For the Year Ended March 31, 2006

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Crystal Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant policies used by Benona Township.

In June, 1999, the GASB issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- a. A Management's Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations.
- b. Financial statements prepared using full accrual accounting for all of the Township's activities.
- c. A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

A. Reporting Entity

The reporting entity is a general law township as defined by the laws of the State of Michigan. The Township is governed by a Supervisor and Township Board.

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

1. Appoints a voting majority of the organization's board, and, has the ability to impose its will on the organization; or
2. There is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based on this criteria, there are no other entities included in this report.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been

Notes to the Financial Statements (continued)

removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is when they become both measurable and available to finance expenditures of the fiscal period.

1. State Shared Revenue Receivable

State Shared Revenue is distributed in six installments per year. Often the last

Notes to the Financial Statements (continued)

payment has not been received by March 31; therefore, a receivable is recorded for this amount. For fiscal year-end March 31, 2006, \$9,721 was not receipted until May 1st, and a receivable has been recorded.

2. Property Taxes Receivable

The Township property tax is levied on each December 1st on the taxable valuation of the property (as defined by state statutes) located in the Township as of the preceding December 31st. The taxes are due on September 14th and February 14th, with the final collection date of February 28th before they are added to the County tax rolls. The 2005 delinquent taxes of \$10,639 were received after year end. These amounts are recorded as receivable at March 31, 2006 and have been included in revenues for the year ended March 31, 2006.

The 2005 taxable valuation of the Township totaled \$14,029,428 on which ad valorem taxes levied consisted of 1.1490 mills for general operations, 1.000 mills for fire operations, and 1.9114 mills for road operations raising \$17,041 for general operations, \$14,020 for fire operations and \$26,799 for road operations. These amounts are recognized in the respective general and special revenue fund financial statements as current tax revenue.

The government reports the following major governmental funds:

The General fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Road Fund accounts for the resources of property tax revenues and other monies that are restricted for road maintenance purposes.

The Fire fund accounts for the resources of property tax revenue and charges for services that are restricted for fire protection purposes.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Notes to the Financial Statements (continued)

D. Assets, Liabilities, and Fund Balance

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated as fair value. Pooled investment income is generally allocated to each fund based on the cash balance in each fund.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds".

Inventories and Prepaid Items - Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase. Normally expenditures are not divided between years by the recording of prepaid expenses. There were no material inventories at year end.

Capital Assets - Capital assets, which include property, plant and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings and Improvements	15 - 50 years
Land Improvements	15 - 20 years
Equipment	5 - 10 years
Fire Equipment	10 - 20 years

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE B STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The Township approves its originally adopted budget by the end of the current fiscal year. Amendments are approved periodically during the year.

The budget document presents information by fund, activity, and line items. The legal level of budgetary control adopted by the governing body is the activity level.

Notes to the Financial Statements (continued)

The Township does not utilize encumbrance accounting.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Local Governmental Unit incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Budget Item</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund -Transfer Station	7,827	8,385	(558)
General Fund -Capital Outlay	3,500	15,909	(12,409)
General Fund -Unallocated	5,116	7,902	(2,786)

NOTE C DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has not adopted an investment policy in accordance with Public Act 196 of 1997.

The Township's deposits and investment policy are in accordance with statutory authority.

The Township's deposits were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Primary Government</u>
Cash and Cash Equivalents	\$ 152,222	\$ 34,895	\$ 187,117

The bank balance of the Township's deposits is \$180,004, of which \$157,530 is covered by federal depository insurance and \$22,474 is uninsured.

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Notes to the Financial Statements (continued)

Investments are normally categorized to give an indication of the level of risk assumed by the Township; however, cash management funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes the investments in the funds comply with the investment authority noted above.

The Township used both West Shore Bank and Fifth Third Bank as depositories during the year.

NOTE D RECEIVABLES

Taxes receivable are for delinquent real property taxes purchased by the County of Oceana. The 2005 delinquent taxes were collected in June, 2006, which exceeds the general rule (60 days), however, is soon enough to pay liabilities of the current period. Receivables as of year-end for the Township's individual major and non-major funds, and the fiduciary funds in the aggregate, including the applicable allowances for uncollected accounts, are as follows:

	General Fund	Fire Fund	Road Fund	Total
State Shared Revenue	\$ 9,721	\$ -	\$ -	\$ 9,721
Taxes Receivable	3,546	2,436	4,657	10,639
Total Receivables	<u>\$ 13,267</u>	<u>\$ 2,436</u>	<u>\$ 4,657</u>	<u>\$ 20,360</u>

No allowances have been made for non-collectable accounts because most delinquent receivables can be added to the tax roll if they remain unpaid and become a lien against the property.

NOTE E CAPITAL ASSETS

Capital asset activity of the primary government of the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not being depreciated				
Land	\$ -	\$ -	\$ -	\$ -
Capital Assets Being Depreciated				
Buildings & Improvements	50,345	2,647	-	52,992
Land Improvements	-	3,500	-	3,500
Machinery & Equipment	26,185	9,763	-	35,948
Fire Equipment	109,554	46,770	-	156,324
Subtotal	186,084	62,680	-	248,764
Less Accumulated Depreciation for				
Buildings & Improvements	10,722	1,317	-	12,039
Land Improvements	-	73	-	73
Machinery & Equipment	7,068	2,086	-	9,154
Fire Equipment	32,812	8,234	-	41,046
Subtotal	50,602	11,710	-	62,312
Net Capital Assets being depreciated	135,482	50,970	-	186,452
Capital Assets - Net of Depreciation	<u>\$ 135,482</u>	<u>\$ 50,970</u>	<u>\$ -</u>	<u>\$ 186,452</u>

Notes to the Financial Statements (continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities

Public Safety	\$ 8,235
Unallocated	<u>3,475</u>
Total Governmental Activities	<u>\$ 11,710</u>

NOTE F INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances is as follows:

Receivable Fund (Due From)		Payable Fund (Due To)	
General Fund	\$ 3,236	General Fund	\$ 12,490
Fire Fund	2,065	Fire Fund	3,323
Road Fund	<u>19,760</u>	Trust & Agency Fund	<u>9,248</u>
Total	<u>\$25,061</u>		<u>\$ 25,061</u>

NOTE I RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets and omissions; and natural disasters for which the Township carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

CRYSTAL TOWNSHIP

Required Supplementary Information Budgetary Comparison Schedule for General Fund For the Year Ended March 31, 2006

	Budgeted Amounts		Actual	Variance to Final Budget
	Original	Final		
Beginning Year Fund Balance - April 1, 2005	\$ -	\$ -	\$ 90,778	\$ 90,778
Resources (Inflows)				
Property Taxes	12,519	12,519	21,519	9,000
State Shared Revenue	60,437	60,437	60,731	294
State Grants	-	-	9,000	9,000
Refunds & Reimbursements	1,678	1,678	1,515	(163)
Interest	2,200	2,200	1,983	(217)
Cemetery Lot Sales	2,700	2,700	1,805	(895)
Other	4,303	4,303	1,159	(3,144)
Amounts Available for Appropriation	83,837	83,837	188,490	104,653
Charges to Appropriations (Outflows)				
General Government	53,600	56,257	53,514	2,743
Public Safety	-	-	-	-
Public Works	8,798	9,525	10,083	(558)
Community/Economic Development	3,600	3,600	1,965	1,635
Recreation and Culture	2,100	2,100	1,248	852
Capital Outlay	-	3,500	15,909	(12,409)
Other	12,000	5,116	7,902	(2,786)
Total Charges to Appropriation	80,098	80,098	90,621	(10,523)
Budgetary Fund Balance - March 31, 2006	<u>\$ 3,739</u>	<u>\$ 3,739</u>	<u>\$ 97,869</u>	<u>\$ 94,130</u>

CRYSTAL TOWNSHIP

Required Supplementary Information Budgetary Comparison Schedule for Fire Fund For the Year Ended March 31, 2006

	Budgeted Amounts			Variance to
	Original	Final	Actual	Final Budget
Beginning Year Fund Balance - April 1, 2005	\$ -	\$ -	\$ 14,658	\$ 14,658
Resources (Inflows)				
Property Taxes	7,335	7,335	14,020	6,685
Federal Grants	26,557	26,557	44,250	17,693
Miscellaneous	-	-	669	669
Amounts Available for Appropriation	33,892	33,892	73,597	39,705
Charges to Appropriations (Outflows)				
Public Safety	22,000	22,000	18,245	3,755
Capital Outlay	47,000	47,000	46,770	230
Total Charges to Appropriation	69,000	69,000	65,015	3,985
Budgetary Fund Balance - March 31, 2006	<u>\$ (35,108)</u>	<u>\$ (35,108)</u>	<u>\$ 8,582</u>	<u>\$ 43,690</u>

CRYSTAL TOWNSHIP

Required Supplementary Information Budgetary Comparison Schedule for Road Fund For the Year Ended March 31, 2006

	Budgeted Amounts		Actual	Variance to Final Budget
	Original	Final		
Beginning Year Fund Balance - April 1, 2005	\$ -	\$ -	\$ 51,094	\$ 51,094
Resources (Inflows)				
Property Taxes	13,790	13,790	26,798	13,008
Miscellaneous	-	-	-	-
Amounts Available for Appropriation	13,790	13,790	77,892	64,102
Charges to Appropriations (Outflows)				
Public Works	8,000	8,000	5,789	2,211
Other	-	-	-	-
Total Charges to Appropriation	8,000	8,000	5,789	2,211
Budgetary Fund Balance - March 31, 2006	<u>\$ 5,790</u>	<u>\$ 5,790</u>	<u>\$ 72,103</u>	<u>\$ 66,313</u>

CRYSTAL TOWNSHIP

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund For the Year Ended March 31, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues			
Property Taxes	\$ 12,519	\$ 21,519	\$ 9,000
State Shared Revenue	60,437	60,731	294
State Grants	-	9,000	9,000
Refunds and Reimbursements	1,678	1,515	(163)
Interest	2,200	1,983	(217)
Cemetery Lot Sales	2,700	1,805	(895)
Other	<u>4,303</u>	<u>1,159</u>	<u>(3,144)</u>
Total Revenues	83,837	97,712	13,875
Expenditures			
General Government			
Township Board			
Salaries and Wages		2,100	
Other		<u>13,200</u>	
	17,000	15,300	1,700
Supervisor			
Salaries and Wages		5,450	
Other		<u>136</u>	
	5,750	5,586	164
Elections	800	790	10
Assessor			
Salaries and Wages		6,000	
Other		<u>2,263</u>	
	8,518	8,263	255
Clerk			
Salaries and Wages		5,450	
Professional Services		<u>350</u>	
	\$ 5,800	\$ 5,800	\$ -

Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

Board of Review			
Salaries and Wages		\$ 668	
Other		<u>1,429</u>	
	\$ 2,097	2,097	\$ -
Treasurer			
Salaries and Wages		6,371	
Other		<u>1,321</u>	
	7,692	7,692	-
Township Hall and Grounds	300	293	7
Cemetery			
Salaries and Wages		886	
Other		<u>6,807</u>	
	<u>8,300</u>	<u>7,693</u>	<u>607</u>
Total General Government	56,257	53,514	2,743
Public Works			
Drains and Dams	1,698	1,698	-
Transfer Station			
Salaries and Wages		996	
Other		<u>7,389</u>	
	<u>7,827</u>	<u>8,385</u>	<u>(558)</u>
Total Public Works	9,525	10,083	(558)
Community/Economic Development			
Planning & Zoning			
Salaries and Wages		489	
Other		<u>1,476</u>	
	3,600	1,965	1,635
Recreation and Cultural			
Library	2,100	1,248	852

Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

Capital Outlay	3,500	15,909	(12,409)
Unallocated			
Fringe Benefits	2,769	2,769	-
Miscellaneous	<u>2,347</u>	<u>5,133</u>	<u>(2,786)</u>
	5,116	7,902	(2,786)
Total Expenditures	<u>80,098</u>	<u>90,621</u>	<u>(10,523)</u>
Excess Revenues Over (Under) Expenditures	3,739	7,091	3,352
Fund Balance - April 1, 2005	<u>-</u>	<u>90,778</u>	<u>90,778</u>
Fund Balance - March 31, 2006	<u>\$ 3,739</u>	<u>\$ 97,869</u>	<u>\$ 94,130</u>

HS & Companies



Hendon & Slate, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS



November 14, 2006

Township Board
Crystal Township
Oceana County, Michigan

Dear Board Members:

In connection with our recent examination of the financial statements of Crystal Township for the year ended March 31, 2006, we offer the following comments and recommendations:

BUDGETING

The Township has been preparing budgets annual as required; however, these budgets are not in compliance with the Michigan Department of Treasury Uniform Budget Manual.

According to the provision of the Budget Act, the budget requirements include (in parenthesis I have noted the fiscal year for the adoption of the budget for the year ended 6/30/07):

- The actual expenditures and revenue data for the most recently completed year (6/30/05).
- The estimated expenditure and revenue data for the current fiscal year (6/30/06).
- The actual accumulated surplus or deficit for the most recently completed year (6/30/05).
- The estimated accumulated surplus or deficit for the current fiscal year (6/30/06).
- The estimated expenditure and revenue data for the ensuing fiscal year (6/30/07).
- The estimated accumulated surplus or deficit for the ensuing fiscal year (6/30/07).
- The estimated contingent or emergency amounts for the ensuing fiscal year (6/30/07).

In addition to these requirements, it is helpful to add an additional column for amendments.

With the conversion to GASB 34, it is more important than ever that the budget is presented as recommended by the Michigan Department of Treasury Uniform Budget Manual. The budget must be completed for each individual fund (general, fire, and road), currently most funds are combined into one budget. This makes it difficult to determine which revenues and expenditures belong to the respective fund and to determine if expenditures will exceed revenues.

Grand Rapids
2025 East Beltline SE
Suite 208
Grand Rapids, MI 49546
Phone (616) 954-3995
Fax (616) 954-3990

Muskegon
4985 South Harvey Street
Muskegon, MI 49444
Phone (231) 798-1040
Fax (231) 798-8409

Fremont
711 West Main Street
Fremont, MI 49412
Phone (231) 924-6890
Fax (231) 924-4088
Toll Free (800) 924-6891

Whitehall
116 West Colby, Suite B
Century Building
Whitehall, MI 49461
Phone (231) 893-6772
Fax (231) 893-6773

Hart
1550 North Industrial Park Drive
Hart, MI 49420
Phone (231) 873-5611
Fax (231) 873-7033

www.hscompanies.com



The CPA. Never Underestimate The Value.®

For further information regarding the budgeting process, we recommend reviewing the Uniform Budget Manual. An example budget from the Michigan Department of Treasury Uniform Budget Manual is attached for your convenience. It can also be accessed on the internet.

SEPARATE FUNDS

In the past the fire fund and road fund have been reported as part of the general fund. However, as evident on form L-4029, separate millages are being collected for roads and fire protection and thus require separate funds to account for the revenues and expenditures. As mentioned above, these funds also require separate budgets. We recommend the Township keep separate books and records to account for the three different funds of the township.

TAX PAYMENTS TO OTHER GOVERNMENTS

As part of the testing of the tax account, we review the timing of the tax payments in accordance with the State requirements. The State requirements for a township with less than \$15 million SEV includes that the township, among other requirements, must deliver at least 90% of the money collected within 10 business days after the last day of February, with final delivery of all remaining sums by April 1st. We noted that the Township did not remit the final payment by April 1st. The Treasurer indicated that the County Treasurer does not want the Township to make the final payment until the County is balanced. This results in the final payment being beyond the State requirement. We recommend that the Township discuss this issue with the County Treasurer and hopefully an agreement can be established between the governmental units.

CAPITALIZATION POLICY

During our audit, we noted that the Township did not have a policy regarding the capitalization of net assets. Such a policy should be in place so that the Township can establish a dollar threshold to determine which assets have a cost and/or useful life such that it should be depreciated. We recommend that the Township adopt such a policy. A sample capitalization policy will be provided to assist in the creation of Crystal Township's capitalization policy.

INVESTMENT POLICY

We also noted that the Township does not have an investment policy. An investment policy details the types of investments that the Township may hold. We recommend that the Board adopt a policy. A sample has been provided to aid in the creation of such document.

CASH BALANCES

It is important to reconcile balances between the clerk and treasurer. This reconciliation provides the oversight necessary for separation of duties within the township. It allows records to be up-dated to include possible transaction not recorded by either the clerk and treasurer. It could be completed at any convenient time for the clerk and treasurer. The timing should be at least quarterly, but would be more efficient and timely if performed monthly, and is not required to be at the time of the board meeting.

We appreciate the courtesy extended to us during the course of the audit. We will be happy to assist in the implementation of any of the recommendations mentioned in this letter or answer any questions regarding the audit.

Respectfully submitted,



Jodi DeKuiper, CPA
Hendon & Slate, P.C.